

**Minutes of the
Cash Management Advisory Board
July 24, 2013
Via Telephone Conference Call**

Attendees:

William Desautelle, CMAB Member
J. Victor Thompson, CMAB Member
Lawrence Wilson, Assistant Treasurer, Cash Management
Michael Terry, Principal Investment Officer, STIF
Paul Coudert, Investment Officer, STIF
Marc Gagnon, Securities Analyst, STIF

Minutes:

Assistant Treasurer Lawrence Wilson called the meeting to order at 10:03 a.m., and asked if there were any comments regarding the draft April 24, 2013 Cash Management Advisory Board minutes. With no comments, the minutes were adopted.

Mr. Terry began his discussion by telling the board that short-term rates remain low. Mr. Terry indicated that overnight repurchase agreement rates were posting in a range of .005 to 3 basis points. As a result, according to Mr. Terry, the Short-Term Investment Fund (STIF) has drawn down repo and redeployed assets into overnight certificates of deposits and commercial paper. Mr. Terry continued, stating that STIF increased bank deposits to fifty-two percent of the fund and that these deposits are with eight banks, three of which are wrapped by Federal Home Loan Bank letters of credit. According to Mr. Terry, the goal is to increase the number of banks to create greater diversification. Mr. Terry added the size of the current portfolio has declined considerably from the March 31, 2013 quarter-end thus affecting the portfolio's average life as well as percentage of floating rate securities in the fund. However, Mr. Terry stated that assets should grow considerably in the near term from both bond sales and tax revenue. Mr. Desautelle asked if there was any concern about the European bank exposure. Mr. Terry stated he was not concerned about the Svenska or the Sovereign exposure although he is cautious about adding new names.

Mr. Coudert reviewed the performance STIF. Mr. Coudert stated that for the quarter ending June 30, 2013, STIF earned an average annualized yield of 12 basis points, outperforming our benchmark by 9 basis points. Mr. Coudert continued, saying that for the fiscal year ending June 30, 2013, STIF returned 16 basis points, outperforming our benchmark by 11 basis points. Mr. Coudert said that STIF's current yield was 16 basis

points while the weighted average maturity was 44 days. Currently, because of the decline in assets, STIF is not contributing to the \$49.7 million reserve.

Mr. Coudert discussed the current composition of STIF, indicating that STIF's one-day liquidity was approximately \$2 billion and that 56 percent of the portfolio was invested in securities with some type of federal government support, such as agency securities, FDIC-insured securities, or repurchase agreements backed by such securities. Mr. Coudert stated that the remainder of the portfolio was in commercial paper and bank deposits.

Mr. Desautelle asked if the ratio of state versus municipal deposits had changed. Mr. Wilson stated that there has been fluctuation but has remained within historical parameters. Mr. Desautelle asked if STIF was utilizing the maximum average life. Mr. Coudert stated that STIF's weighted average maturity is about at its limit at nearly 45 days. Mr. Wilson added that the 45 days was our strategy's maximum, but Standard & Poor's allows up to 60 days for its AAAm rating.

Mr. Coudert stated that the Extended Investment Portfolio's (EIP's) current asset size was approximately \$100,000 and that it was earning 22 basis points. Mr. Coudert added that the position is to be closed in the next several weeks.

Mr. Coudert reported that STIF Plus's current asset size was approximately \$4.1 million and consisted entirely of asset-backed securities. Mr. Coudert said that the current NAV was 11.78, up from 10.51 at June 30, 2012. Mr. Coudert added that the current unrealized loss totals approximately \$1.2 million. Mr. Terry stated that as mortgage delinquencies decline, the support level on the bonds in STIF Plus should be enhanced. Mr. Wilson stated that by investing in STIF Plus and EIP, rather than just STIF, approximately \$13.6 million in additional income had been earned, well above any potential loss, making EIP and STIF Plus productive investment decisions.

Mr. Wilson stated that as a result of an RFP process, the Treasurer selected Bank of New York Mellon to take over both custody and transfer agency business for the state, pending successful contract negotiations.

With no further business, Mr. Wilson adjourned the meeting at 10:20 a.m.